

INTERNATIONAL COFFEE AGREEMENT 2007: BENEFITS OF MEMBERSHIP

The International Coffee Agreement (ICA) 2007 is a key instrument for international cooperation in the field of coffee and membership of the Agreement is in the best interests of Governments and the world coffee industry, for political, social and economic reasons.

International Coffee Agreement 2007

The ICA 2007, the seventh Agreement since 1962, was agreed by the 77 Members of the International Coffee Organization (ICO) in London on 28 September 2007, and will last for ten years, with the possibility of extension for a further eight years. Its main objective is **to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the sector.**

The new Agreement will strengthen the ICO's role as a forum for intergovernmental consultations, facilitate international trade through increased transparency and promote a sustainable coffee economy for the benefit of all stakeholders and particularly of small-scale farmers in coffee producing countries. As was the case with the 1994 and 2001 Agreements, it has no market-regulatory clauses.

The ICA 2007 is an important instrument for development cooperation: a third of the ICO's 45 exporting Members are least developed countries (with low incomes and high economic vulnerability), and the Preamble specifically acknowledges the contribution of a sustainable coffee sector to the achievement of internationally agreed development goals, including the Millennium Development Goals, particularly with respect to poverty eradication.

Important innovations include a new Chapter on the development and funding of coffee development projects, and the establishment of a Consultative Forum on Coffee Sector Finance, responding to the need for increased access to information on topics related to finance and risk management in the coffee sector, with particular emphasis on the needs of small and medium-scale producers. The range of statistical data will be expanded, enhancing market transparency, and a new Promotion and Market Development Committee will oversee activities including information campaigns, research, capacity-building and studies related to coffee production and consumption.

Importance of international cooperation on coffee

Coffee is the one of the world's most important commodity exports, produced in more than 50 developing countries. It makes an important contribution to socio-economic development and poverty alleviation and is of exceptional economic importance to exporting countries, some of which rely on coffee for over half their export earnings. With some 70% of the world's coffee produced by 25 million smallholder farmers and their families, coffee is an important source of cash income and responsible for significant employment.

During the coffee crisis which lasted from 2000 to 2004, coffee prices fell to their lowest levels in 30 years, and producers saw their export earnings halve since the early 1990s, from around US\$12 billion to US\$5.5 billion. This had devastating social, economic and political consequences for countries throughout Africa, Asia and Latin America, leading to coffee farms being neglected or abandoned, and increasing poverty and migratory pressures.

The economic value to consuming countries can be gauged by the fact that the value of retail sales has increased substantially since the early 1990s. Coffee is responsible for significant employment, and also plays an important social role since it encourages social exchanges, with over 600 billion cups consumed every year. If farmers are forced to neglect their farms because

of low prices, the supply of quality coffee to the coffee industry in consuming countries is jeopardized.

Working towards securing a healthy world coffee economy is therefore important economically and politically in importing countries as well as being desirable from the viewpoint of encouraging sustainable socio-economic development, both to improve living standards in producing countries and to increase markets for goods produced in consuming countries.

Channelling cooperation

As the only International Commodity Body for coffee, and a respected intergovernmental organization which speaks for both producers and consumers, in consultation with the private sector, the ICO has a focal role to play in channeling international cooperation and developing effective political solutions and coffee policy. Its 45 exporting Members account for over 97% of world coffee production and its 32 importing Members are responsible for around 80% of coffee consumption in importing countries.

A streamlined decision-making structure and low annual membership costs enable Governments to contribute to developing policies on global issues affecting their coffee industries, from sustainability to food safety, coffee quality and market transparency.

BENEFITS OF MEMBERSHIP

Government relations and close contacts with the private sector: Members are entitled to appoint representatives on the International Coffee Council, which meets twice a year at the ICO headquarters in London to review the coffee market situation and develop coffee policies and priorities. Membership also facilitates close contacts with the private coffee sector through the Private Sector Consultative Board, made up of high-level representatives of exporting and importing associations, which advises the Council on matters of real practical relevance to coffee such as positive communication on coffee, food safety and sustainability.

Coffee policy development: Membership allows access to a unique forum where producing and consuming countries can discuss key issues and difficulties relating to international coffee trade, and develop timely policies and solutions. For example consideration of contamination from mould formation resulted in a multi-year US\$6 million project to reduce mould formation and the incidence of Ochratoxin A (OTA) in coffee. This project was designed to increase both the safety of coffee and farming income in the developing world. Joint implementation of the 5-year project by the ICO with the Food and Agriculture Organization in Asia, Africa and Latin America has already led to a decline in average OTA intake from coffee in Europe. This, in turn, convinced the EU to abandon a proposal to impose a maximum limit for OTA in green coffee, saving the coffee industry in excess of US\$100 million annually. In the case of the 2000-2004 crisis of low prices in the sector, the ICO developed an approach to improve the world supply and demand balance which included promoting initiatives to increase consumption, improving quality and establishing a diversification programme which could encompass efforts to undertake specific projects to generate complementary earnings for growers, such as the introduction of new crops, without eliminating coffee growing itself.

Coffee development projects: Membership of the ICO enables countries to participate in coffee development projects, currently totalling US\$85 million. These are examples of practical assistance by the ICO to the world coffee economy, contributing to sustainable development and poverty reduction in coffee-producing developing countries. Typical action areas involve general coffee problems so that the projects can have an impact in various countries. They include coffee market development, where the ICO sponsors projects aimed at promoting coffee price risk management access to credit, the development of commodity exchanges, and the strengthening of the commercial and management capacity of producers. The ICO also promotes projects

designed to reduce the incidence of major pests and diseases affecting coffee, such as the coffee berry borer, tracheomycosis and coffee white stem borer, thereby increasing crop quality and revenue for small farmers. Other projects are related to productivity improvements including projects to improve quality and encourage the use of improved technology for wet-processing, and environmentally-favourable technologies.

Quality coffee: Quality coffee is essential to the world coffee industry and is widely seen as a key means of increasing global coffee consumption. The ICO Coffee Quality-Improvement Programme establishes target standards for exportable coffee such as maximum moisture content, and plays an important role in improving the quality of coffee on the world market in the interests of both producers and consumers. Some 28 producing countries are currently participating in this Programme, covering over 68% of world coffee exports. The consumer benefits from higher overall quality standards in coffee blends, and producing countries benefit from the reduction in the current surplus through elimination from the market of sub-standard coffee, as well as higher prices for better quality coffee. Membership of the ICO enables countries to contribute to efforts to improve the quality of coffee which is in the long-term interests of their coffee sectors.

Coffee sector finance: A new Consultative Forum on Coffee Sector Finance will facilitate consultations on topics related to finance and risk management in the coffee sector, with a particular emphasis on the needs of small- and medium-scale producers and local communities in coffee producing areas.

Increasing demand for coffee: Efforts to promote consumption have a key role to play in achieving a balanced and more sustainable world coffee economy. Membership allows countries to take part in initiatives to promote consumption, the first stage of which is the Step-by-Step Guide to Promote Coffee Consumption in Producing Countries, which provides practical guidelines to increase demand for coffee. More recently, the Organization has sponsored the creation of the ICO Network to Promote Coffee Consumption, a collaborative community on the Internet where participants will be able to interact and develop ways of increasing worldwide consumption in traditional markets and producing countries.

Positive communication on coffee: ICO Members benefit from the ICO's ability to mobilize cooperative initiatives with representatives of the private coffee sector in producing and consuming countries. One example is positive communication on coffee – with the ICO working with the private sector to disseminate positive information on coffee to the media and other interested parties. The ICO's Positively Coffee Programme and Health Care Professions – Coffee Education Programme, which disseminate information about the various positive health effects of coffee drinking, are examples of great benefit to the coffee sector.

Training and information: ICO Members also benefit from workshops and seminars for Members on topics such as Geographical Indications, gourmet coffee, organic coffee, e-commerce and equitable trading which bring together leading experts in these fields, as well as high-level World Coffee Conferences held on a regular basis.

Information and resources: Members have access to objective and comprehensive information on the world coffee market, with regular reports on the market situation and economic studies to inform their decision-making, and comprehensive statistical data on the world coffee trade and economy (around 200,000 records processed each year). The ICO's website (www.ico.org) provides up-to-date and comprehensive information, while cooperation with organizations such as the International Trade Centre has resulted in practical tools such as a Coffee Guide website with extensive information about the international coffee trade.